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March 5, 2013

Michael E. Lamb, Controller
City of Pittsburgh
414 Grant Street
Pittsburgh, PA 15219

Dear Mr. Lamb,

We are in receipt of your final report, delivered via email, on February 25, 2013. The report documents the City of Pittsburgh Audit Department's review of the Housing Authority of the City of Pittsburgh's (HACP) Victory Security Services 2012 contract as well as the Authority's nonprofit affiliates: Clean Slate E3 Corporation and Allies and Ross Management and Development Corporation. Please accept this letter as the formal response to the items contained within the report.

The report lists numerous findings. Contrary to the traditional use of the term "finding" in audit reports, the Controller's report lists as findings general statements of facts and they do not have a negative connotation associated with them. Therefore for purposes of this response, we will only respond to those findings where the Authority believes the statement of fact is in error or where we perceive the finding denotes a negative connotation. We will also respond to each of the five (5) recommendations provided within the report.

The second finding on page 7 states that: "HACP is not the owner entity of its mixed finance housing developments but retains ownership of the land. The private developer owns the buildings while HACP leases the property to the developer." This is an inaccurate statement. HACP does typically lease the land, but the private developer does not own the buildings. The ownership entity typically consists of the Authority or ARMDC, the developer, and a third party equity investor. The equity investor owns the majority (99.99%) of the created entity. The developer and the Authority or ARMDC owns the .01%. This type of structure is for beneficial or required for tax credit deals. The equity investor owns the majority of the ownership entity and they serve as a limited partner. The developer and the Authority / ARMDC make up the general partner.

Recommendation #1 states that: "HACP should rename one of the Clean Slate programs to prevent any confusion about each program's purpose, operation and funding." We understand the rationale for this recommendation as it may appear to be confusing as a general concept. Clean Slate, the program is an activity funded by HACP. Clean Slate E3 has its own accounts and is a separate and distinct legal entity. Although we appreciate the recommendation, the HACP is not

inclined to change the name of either entity. The Authority has a history of operating the Clean Slate program and our residents are familiar as it has name recognition. To change the name of either entity would create marketing issues and other programmatic concerns to include a financial expense as both are long-term established.

Recommendation #2 states that: "The audit recommendation to have Clean Slate E3 completely operated by a foundation should be followed. Having an independent third party operate the organization would allow solicitation of donations by personnel not affiliated with the Housing Authority." We will take this recommendation under advisement. The decision to have a foundation operate Clean Slate E3 would be one for the Board of Directors of the corporation to decide after carefully reviewing the pro's and con's of that type of management structure. Clean Slate E3 provides support that supplements other HACP programs. Historically, people identify with Clean Slate E3 and what it provides to the residents of HACP which is why they are willing to donate.

Recommendation #3 states that: "Clean Slate E3 administration needs to investigate why the Charity Golf Outing decreased in revenue from 2010 to 2011. If revenue continues to decline, an advertising budget and plan should be considered and implemented." The administration has ascertained why revenue declined. Many of our normal contributors have told us that they are feeling the effects of the economic malaise that exists in the country and even though they are highly supportive of our program, they just cannot donate like they used to. We expect as the economy recovers, so will our donations. In regards to a marketing budget, however, we attempt to keep our costs as low as possible. We are not certain that the increase in donations through formal advertisement would be offset by the increased expenditure. However, the HACP will consider a marketing program for the golf outing if revenue continues to fall.

Recommendation #4 states that: "Clean Slate E3 administration should work with the Pittsburgh Foundation to promote the Pittsburgh Promise to HACP residents. The combined scholarship amounts are a great incentive for low income students to pursue post-secondary education." We agree that having both the Promise and our scholarship is a great advantage. In fact, we perceive the Promise scholarship has greatly increased the demand for the Clean Slate E3 scholarship, since having the larger Promise scholarship puts post-secondary education within reach of our residents. We believe our residents and their children who are predominantly public school students are actively taking advantage of the Promise. Anything the HACP can do to promote the Promise enhances their utilization of the opportunity. Therefore, HACP will welcome any partnership that promotes increased post-secondary education.


Recommendation #5 states that: "The HACP should investigate using the G.R.E.A.T. program in its efforts to promote a drug free non-violent lifestyle." We agree and we have referred this recommendation to our Resident Services staff to investigate and pursue.

The report lists several findings related to our security program. The findings summarized in general state that our use of private security contracts is not as much of a deterrent to crime or as cost effective as using the City of Pittsburgh Police force would be. We concur and would welcome an opportunity to contract with the City Police Department for above baseline services at a reasonable cost. Unfortunately, we have not been able to attract the department into a

reasonable contract that meets our regulatory requirements of service for an appropriate fee. We utilize contract security only because we have no other source to augment standard patrols as called for by the Cooperation Agreement with the City.

This concludes our responses to the City Controller review. We would like to thank the City Controller and his staff for their professionalism in conducting the review and we appreciate their hard work and effort in enhancing the operational effectiveness of Housing Authority of the City of Pittsburgh.

Sincerely,

A handwritten signature in cursive script, appearing to read "Caster D. Binion". The signature is written in black ink and includes a long horizontal flourish at the end.

Caster D. Binion
Executive Director